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SIPDIS

SENSITIVE

STATE FOR DRL/IL, WHA/PPC, WHA/EPSC, WHA/CEN, AND EB
STATE PASS USTR
STATE PASS AID FOR LAC/CEN
DOL FOR ILAB - A/DUS MAGAN
DOL FOR BLS (SFLECK, PSB RM 2120)
GUATEMALA FOR AID, COMATT, AND AGATT

E.O. 12958: N/A

TAGS: [ELAB](#) [PREL](#) [PHUM](#) [PGOV](#) [ETRD](#) [EFIN](#) [EAGR](#) [HO](#)

SUBJECT: DOL A/DUS MAGAN MEETS CA LABOR MINISTERS IN
HONDURAS AND TALKS CAFTA; LABOR UNIONS OPPOSE CAFTA

REF: A. TEGUCIGALPA 10

[B](#). TEGUCIGALPA 3040

[C](#). TEGUCIGALPA 2972 (ALL NOTAL)

[1](#)1. (SBU) Summary. Associate Deputy Under Secretary for International Labor Affairs Mike Magan visited Honduras January 23-25 to attend the Central American Labor Ministers Meeting and held discussions with labor, management, and government on the U.S.-Central American Free Trade Agreement (CAFTA). All three Honduran labor confederations oppose CAFTA, and complained that there had been a complete lack of consultation by the GOH with labor unions on CAFTA. A/DUS Magan urged the labor leaders to make their views known on key issues related to CAFTA to the Ministry of Labor. Central American Labor Ministers are seeking a larger role in CAFTA, but it is not clear if that will happen. End Summary.

[1](#)2. (U) Associate Deputy Under Secretary for International Labor Affairs Mike Magan visited San Pedro Sula, Honduras to attend the Central American Labor Ministers Meeting January 23-25. Deputy Under Secretary for International Labor Affairs Thomas Moorhead had been invited, but was unable to attend. LabAtt accompanied A/DUS Magan to all meetings and the conference.

[1](#)3. (U) Ministers of Labor from Honduras, Costa Rica, the Dominican Republic, El Salvador, Honduras, and Nicaragua, as well as the Vice Minister of Labor from Belize, and a MOL official from Guatemala attended the meeting. Former Panamanian Minister of Labor Joaquin Jose (JJ) Vallarino also attended. President Ricardo Maduro opened the conference, and emphasized the importance of a career civil service in his remarks. During the day and half conference the ministers heard presentations from various ILO technical assistance projects on OSH, labor relations, and modernization (but not child labor). The best presentation was by the Spanish director of the Spanish-funded Modernization of the Administration of Work (MATAC) regional project, who emphasized the need for better coordination of technical assistance projects by international donors, the ILO, and Central American ministries of labor. He noted that these projects could only succeed with the strong backing of the ministers and a civil service in the ministries that did not constantly turn over with political changes.

Labor Unions Oppose CAFTA; Appreciate USG Outreach to Labor

[1](#)4. (SBU) A/DUS Magan held a roundtable meeting January 23 with the CGT (General Workers' Central) - Daniel Duron, SecGen, CGT is affiliated with World Confederation of Labour (WCL); CTH (Confederation of Honduran Workers) - Dinora Aceituno, SecGen, CTH is affiliated with the International Confederation of Free Trade Unions (ICFTU); and CUTH (United Confederation of Honduran Workers)- Israel Salinas, SecGen, CUTH is applying for affiliation with the ICFTU. All three labor confederations oppose CAFTA, and are not supportive of free trade agreements in general. The unions noted, as they have in the past, that several sectors of the Honduran business community, most notably agriculture, are opposed to or skeptical of CAFTA. The unions shared the concern of Honduran agricultural producers, and feared that in general Honduran products would not be able to compete with U.S. products. In response to complaints about U.S. agricultural subsidies LabAtt explained briefly the USG's proposal in the WTO and A/DUS Magan noted that European Union subsidies were higher than U.S. subsidies. During the meeting the labor leaders discussed their concern that the GOH would be forced to make concessions on public sector salaries to reach a deal with the IMF (see ref A for more details on GOH-IMF negotiations). They also criticized what they termed bad experiences with privatization in Honduras. The unions complained that there had been a complete lack of consultation with labor unions on CAFTA. The unions' concerns echoed comments from previous meetings that LabAtt

and Political Counselor had held in December and January with the three confederations.

15. (SBU) A/DUS Magan noted that input from civil society, including labor unions, is necessary for CAFTA. He urged the labor leaders to make their views known on key issues related to CAFTA to the Ministry of Labor. A/DUS Magan encouraged the leaders to work with the AFL/CIO Solidarity Center (regional office in San Jose), something that the CTH and CUTH said they are doing. He emphasized that labor issues are a key part of U.S. Trade Promotion Authority (TPA). A/DUS Magan and the union leaders also discussed labor aspects of GSP, the U.S.-Chile FTA, and NAFTA. He highlighted DOL-funded technical assistance projects in Honduras and the region, as well as the USAID-funded PROALCA II. He also noted the use of trade adjustment assistance in the U.S. for industries affected by free trade.

16. (U) Both the CGT and CTH told A/DUS Magan that the Embassy played a helpful role on labor issues. They praised A/DUS Magan for meeting with them and noted that it was rare for the leaders of the three confederations to be in a room together for a meeting like this.

Maquila Association - Strongest Supporter of CAFTA

17. (SBU) A/DUS Magan had dinner January 23 with the Honduran Apparel Manufacturers Association (AKA the maquila association), including association president Jesus Canahuati (younger brother of Honduran Ambassador to the U.S. Mario Canahuati) and discussed CAFTA, the importance of respect for core labor rights, and the 1995 MOU between USTR and the Honduran Ministry of Labor. (A/DUS Magan also spoke briefly January 24 with Honduran Council of Private Business (COHEP) President Jacobo Regalado, who was unable to make the dinner.) The maquila association is by far the strongest private sector booster for CAFTA, a fact evidenced by Canahuati's past flirtations with the GOH about possibly leading the Honduran negotiating team, something that he chose not to do (see ref B for more information on GOH trade team). The maquila association warned that in the business community the agricultural sector was the most skeptical about CAFTA. The maquila association said they had a positive relationship, in general, with the three labor confederations and highlighted the importance of Salinas' support in lobbying for passage of the Caribbean Basin Trade Partnership Act (CBTPA), that benefits Honduran maquila exports.

Central American Labor Ministers Seek Larger Role in CAFTA

18. (SBU) A/DUS Magan had a private meeting January 24 with the ministers to discuss CAFTA and labor issues (see ref C for more information on bilateral trade and non-trade issues potentially affecting CAFTA). He gave them all a copy of the USTR Trade Facts "Highlights of Trade Capacity Building Initiatives In Support of the U.S.-CAFTA Negotiations" that describes DOL-funded regional technical assistance projects (CERSSO and the Freedom of Association, Collective Bargaining and Industrial Relations in Central America Project (RELACENTRO) that aims to promote industrial relations, collective bargaining, and conflict resolution in Central America). He stressed that MOL officials had a role in the negotiations, as did labor unions and businesses. The ministers noted that many unions opposed CAFTA. A/DUS Magan suggested that governments reach out to unions, especially to individual unions that supported free trade. He urged the ministers to use an inter-agency process to build consensus within the government on CAFTA issues.

19. (SBU) The ministers bemoaned their anemic budgets, including a lack of travel funds for MOL officials to attend CAFTA negotiating sessions. The ministers praised DOL-funded technical assistance projects, as well as the Spanish-funded MATAC. Honduran Minister of Labor German Leitzelar emphasized that this technical assistance is even more important with CAFTA.

110. (SBU) Note: Although he did not say it to A/DUS Magan, MOL Leitzelar told Department of State FTAA Coordinator Dr. Barbara Bowie-Whitman January 15 in an American Embassy Television Network (AETN) interactive program on CAFTA that with regard to labor issues in CAFTA, it would be insufficient to just call for the improved enforcement of existing labor laws and regulations. The agreement will need to address core labor rights if it hopes to garner any union support in Honduras. End Note.

Maquila Tours Show Benefit of DOL-funded OSH Project

111. (U) Prior to the start of the meetings A/DUS Magan toured January 23 the J.E. Morgan maquila (assembly manufacturing for export), a U.S.-owned Sara Lee maquila, and Dragon Maya,

a Hong Kong/Honduran-owned maquila. J.E. Morgan has been an active participant in the DOL-funded Regional Occupational Safety and Health Project (CERSSO) that aims to reduce the number of accidents and injuries in the workplace. The plant manager proudly pointed out a sign on the wall that stated that the factory had gone 2,678,028 hours without a work accident. A/DUS Magan and LabAtt noted that plant conditions were obviously superior at the U.S.-owned maquila. Separately, a recent visit by officials from the Customs Attache's office in Panama noted that the Honduran-owned maquila they inspected had superior working conditions and productivity to the Korean-owned maquila they inspected.

Visit A Success, But Influence of Unions/MOL Remains Weak

12. (SBU) Comment. A/DUS Magan's visit was successful from Post's perspective. The ministers appreciated hearing insights on CAFTA and labor issues, and both the maquila association and labor unions thanked A/DUS Magan for engaging them in discussions. At least in Honduras, it remains to be seen whether (a) the labor unions will work with the ministries of labor to voice their views on CAFTA, and (b) whether the Ministry of Labor will play a larger role in GOH policy formulation on CAFTA issues. Post has a high opinion of Minister Leitzelar, but the fact of the matter is that Minister of Industry and Commerce is clearly in the driver's seat on CAFTA, and labor issues do not appear to be high on the GOH's CAFTA agenda. End Comment.

13. (U) A/DUS Magan did not clear this cable prior to his departure.
Palmer